

OGC 86-62479 3/25/80

OGA Registry
80-0817
Executive Registry
80-6795

24 MAR 1980

*Contracts*

MEMORANDUM FOR: Director of Central Intelligence

VIA: Deputy Director of Central Intelligence

FROM: Don I. Wortman  
Deputy Director for Administration

SUBJECT: Request for Specific Exemption from the  
Service Contract Act

1. As a result of a Department of Labor ruling last summer which extended the provisions of the Service Contract Act of 1965 to contracts for the repair, maintenance, and servicing of computers, office equipment, and other equipment owned by the Federal government, contractors providing such services have refused to enter into contracts with this Agency where the provisions of this Act were included. A variety of reasons are cited by the contractors suggesting that this act should not apply to products and services which are sold to the government at established commercial prices to arguments that wage determinations by Labor under the Act are highly inflationary and in conflict with other government edicts and policy. Nevertheless, this situation also confronts other Federal agencies of the government, particularly DOD, DOE, NASA, and NSA. Up to this point, Labor has been rather hard-nosed on the granting of waivers to this Act and, except for a case by case basis for several contractors of NSA, no other waivers, to our knowledge, have been granted.

2. Currently there are about six Agency contractors, including IBM, Hewlett-Packard, John Fluke, etc., who are refusing to sign contracts for services we urgently need. The attached letter seeks a blanket waiver for this Agency to waive the requirements of the Service Contract Act where contractors refuse to accept it in their contract and a determinations and findings is made that the required services are necessary to meet our operational needs.

SUBJECT: Request for Specific Exemption from the  
Service Contract Act

3. Our alternatives in the event the exemption is not granted include:

a. Evoke the special authorities of the DCI under Section 8 of the CIA Act of 1949.

b. Issue multitudinous individual purchase orders under \$2,500 (which are exempt from the requirements of the SCA). This is not a practical solution and probably not feasible in view of the work load involved.

c. Try to negotiate specific exemptions from the SCA with the Department of Labor for each contract and contractor. We would have to identify individual contractors and provide supporting details on why the particular contractor's services were necessary to support the mission of the Agency. This could possibly involve disclosure of sources and methods.

4. Of the above alternatives, we believe the Section 8 exemption would be preferable in the event Labor does not approve the waiver, and initial contacts with the Office of General Counsel indicate that such action would be supportable.

/s/ William N. Hart

for Don I. Wortman

Distribution:

Orig - DCI

1 - DDCI

1 - ER

2 - DDA

① - OL Official

Originating Office:

/s/ James H. McDonald

Director of Logistics

21 MAR 1980

Date

Distribution Withheld:

1 - OL/PMS 1-OL/PD

1 - D/L Chrono

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D/L/JHMcDonald:pat/

2 (20 Mar 80)

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## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

FROM:

Director of Logistics  
[ ] Building

EXTENSION

NO.

DATE

20 MAR 1980

STAT

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DDA  
7D24 Hqs.

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Don:

I believe the attached memo to the DCI explains the problem we are having with a number of our service contracts as a result of a Department of Labor ruling. The attached letter is for the DCI's signature and requests a waiver from the provisions of the SCA. We are not at all sure Labor will grant the waiver, but we believe it is a necessary step before falling back upon utilization of the DCI's special authorities.

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[ ]  
James H. McDonald  
Director of Logistics

Att



DD/A Registry
80-0812/1
Executive Registry
80-6795/1

14 APR 1980

The Honorable Ray Marshall  
The Secretary of Labor  
Washington, D.C. 20210

Dear Ray:

This Agency operates its procurement system generally in accordance with the Defense Acquisition Regulation (DAR) and routinely includes in the general provisions of its contracts the requirements of the Service Contract Act of 1965 as stated in DAR 7-1903.41(a). During recent months, a number of our contractors have refused to accept our contracts.

Contractor complaints refer to a ruling by your Department on June 5, 1979 which extended the provisions of the Act to contracts for the repair, maintenance, and servicing of computers, office equipment, and any other equipment owned by the Federal Government. They range from refusal to allow audit where products and services are sold to the Government at established catalog commercial prices in accordance with the Truth in Negotiations Act, to arguments that wage determinations under the Act are highly inflationary and in conflict with wage and price guidelines of the Federal Council on Wage and Price Stability.

The problems being expressed by our contractors are, in turn, causing a very real problem for us as we are experiencing difficulty in contracting for services necessary to maintain equipment vital to our intelligence mission. Much of our equipment has been modified to meet certain operational needs and must be maintained by the manufacturer. Also, much of our equipment is operated in areas with denied access except for persons who have been properly cleared from a security viewpoint.

Because of the serious impact this situation has created with regard to our ability to carry out the mission of this Agency, it is requested that a specific exemption from the Service Contract Act be granted to the Central Intelligence Agency pursuant to Section 4(b) of the Service Contract Act. This exemption would be applicable only to those contracts for which a Determinations and Findings (D&F) has been made that the required services are necessary to meet the operational needs of the Agency and that the contractor required to provide these services refuses to accept the application of the Service Contract Act.

Yours,

/s/ Stansfield Turner

STANSFIELD TURNER

OL 0 0023

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Approved For Release 2003/08/18 : CIA-RDP83-00957R000100080002-8

Approved For Release 2003/08/18 : CIA-RDP83-00957R000100080002-8

10 April 1980

Executive Registry
80-6795/2

DD/A Registry
80-0817/2

MEMORANDUM FOR: Director of Central Intelligence  
THROUGH: Deputy Director of Central Intelligence  
FROM: General Counsel  
SUBJECT: Effects of Expanded Service Contract Act  
Upon the Agency

1. The Executive Secretariat has requested review and recommendation of a proposed letter from you to the Secretary of Labor. The thrust of the letter is a request for exemption from the provisions of the Service Contract Act, which is a form of minimum wage for designated categories of labor within the service industries. I recommend that you sign the letter and that it be hand carried to the Department of Labor per their suggestion.

2. By way of background, last June the Department of Labor significantly expanded the categories of labor within the coverage of the Act to include computer hardware technicians, and as well those who service word processing machines, typewriters and ancillary equipment.

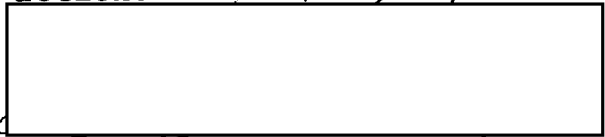
3. The Service Contract Act extends prevailing wage rates and fringe benefits for service employees under contracts exceeding \$2,500 executed by the Government for the principal purpose of obtaining services. It also prohibits employment under hazardous or unsanitary conditions. In addition, a service contractor is required to post notices of wages and benefits, give each employee notice of compensation, and maintain detailed pay records on all employees for three years. The Secretary of Labor interprets and administers the Act. Failure to comply carries heavy penalties for a contractor, to include withholding of payments, cancellation of the contract with liability for excess procurement, debarment up to three years, and direct suit by the Government to recover wage underpayment. The Secretary may also grant exemptions.

4. Directly affecting the Agency is the refusal of contractors providing word processing machine and typewriter



repairs to sign new service contracts containing the required clauses implementing the Act. The Director of Logistics has discussed with the Department of Labor the adverse effect upon the Agency brought about by service contractors refusal to renew or enter into new agreements. Although the Department of Labor is hopeful of resolving the industry-wide dispute shortly, Mrs. Dorothy Come, Assistant Administrator, Wage and Hour Division, recommended that a letter from you requesting a limited exemption during this unsettled period be sent to the Secretary to preclude disruption of needed services.

5. I concur in this course of action.

  
Daniel B. Silver

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Attachment

cc: D/Logistics

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Next 1 Page(s) In Document Exempt

Approved For Release 2003/08/18 : CIA-RDP83-00957R000100080002-8

*Contracts*

21 MAR 1980

MEMORANDUM FOR: See Distribution

FROM: James H. McDonald  
Director of Logistics

SUBJECT: Manual for the Administration of Government  
Property in the Possession of Agency Contractors

1. The subject manual, dated 2 January 1980, has been revised to incorporate the Agency's updated policy on the control and disposition of Government-owned property in the possession of contractors. This manual supersedes and obsoletes prior editions. As you are aware, the magnitude and control of Government property are receiving significant attention in today's environment. Therefore, recipients of this manual are encouraged to become thoroughly familiar with its contents to enhance administration and control of such property.

2. The manual is classified CONFIDENTIAL and is serialized for control purposes. Therefore, each office is accountable for its numbered copies as furnished herewith.

3. Listed components are being furnished copies of this initial distribution in the quantity shown in parentheses based on estimated needs. However, if additional copies are desired please contact [redacted] of the Procurement Management Staff, OL, [redacted]

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/s/ James H. McDonald

James H. McDonald

Att

OL 0 1227

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Approved For Release 2003/08/18 : CIA-RDP83-00957R000100080002-8

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# Manual for the Administration of Government Property in the Possession of Agency Contractors

Office of Logistics

2 January 1980

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Next 1 Page(s) In Document Exempt

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Manual for the Administration  
of Government Property  
in the Possession of Agency Contractors

Office of Logistics

## 1. GENERAL POLICY

The control and disposition of Government property (both Government Furnished Property and Contractor Acquired Property) in possession of Agency contractors is the responsibility of the Contracting Officer. The Contracting Officer shall consider recommendations as made by the Contracting Officer's Technical Representative and coordinate his actions with Chief, Procurement Management Staff, (C/PMS/OL), and Supply Management Branch (SMB), Supply Division (SD), as applicable. Section XIII and XXIV of the Defense Acquisition Regulation (DAR) pertaining to the administration of Government property shall be used by all Contracting Officers as a guide in the administration of Agency property in the possession of contractors. [REDACTED]

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## 2. DEFINITIONS

a. **Property** includes all property both real and personal. For purposes of this discussion it includes material, special tooling, special test equipment, safes and facilities. [REDACTED]

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b. **Government Property** means all property owned by or leased to the Government or acquired by the Government under terms of a contract. Government property includes both Government Furnished Property and Contractor Acquired Property.

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c. **Government Furnished Property (GFP)** means property in the possession of or acquired directly by the Agency and subsequently delivered or otherwise made available to the contractor. [REDACTED]

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d. **Contractor Acquired Property (CAP)** means property procured or otherwise provided by the contractor for the performance of a contract, title of which is vested in Government. [REDACTED]

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e. **Material** means property which may be incorporated in or attached to an end item to be delivered under a contract or which may be consumed or expended in the performance of a contract. It includes, but is not limited to, raw and processed material, parts, components, assemblies, and small tools and supplies which may be consumed in normal use in the performance of a contract. [REDACTED]

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f. **Contracting Officer's Technical Representative (COTR)** means an individual, knowledgeable in the technical aspects of a project, who is authorized to contact the contractor directly regarding technical matters. Any changes in the contract made necessary by an action of the COTR, including technical specifications, must be made by the Contracting Officer. [REDACTED]

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## 3. CONTROL OF GOVERNMENT PROPERTY

### a. Incorporating GFP in Contracts:

The Contracting Officer (CO) shall include in each contract where Government property is or contemplated to be furnished the appropriate Government property clause for the type of contract issued. In accordance with the clause, all Government property to be furnished will be listed in the contract schedule, an appendix to the schedule, or suitably identified and incorporated by reference. In those instances where the exact identification, type, or amount of property contem-



plated to be furnished cannot be established at the time of contract issuance, a statement may be made in the schedule that provides for the furnishing of such property at a later date without contract consideration. At such time, the contract may be amended by incorporating the appropriate listing. The above procedures shall also apply in those instances where residual Government property is being transferred from a completed contract to a new one. Where there is a continuing relationship with a contractor which has or is expected to generate significant amounts of the above property, the CO will give due consideration to issuing a facilities type contract under which all such property may be accounted for and be available for use under all Agency contracts on a continuing basis. ☐

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**b. Ensuring Contractors Have an Approved Property Management System:**

The CO shall ensure that each contractor under his cognizance who possesses or will possess Government property has a property management system that conforms substantially to the requirements set forth in DAR, Appendix B, "Government Property in Possession of Contractors." To that end, a "Government Property Management Manual" suitable for issuance to Agency contractors is included as Appendix A of this Manual, and sample letters for forwarding said Manual to a contractor and for approving a contractor's property management system are provided on pages B-1 and B-2 of Appendix B to this Manual. A copy of each property system approval letter issued by a CO should be forwarded to OL/PMS. The Commercial Systems and Audit Division, Office of Finance (OF/CSAD) is responsible for performing a test audit of the contractor's property system and procedures sometime during the life of the contract. Such audits ensure conformance with the appropriate guidelines for Government property management. The CO is responsible for verifying that such audits are performed for both Government Furnished Property and Contractor Acquired Property. ☐

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**c. Maintaining a Central Listing of Contractors Having Approved Property Management Systems:**

OL/PMS will act as a central repository for all letters from CO's approving contractor property management systems and will publish periodically a consolidated listing of all contractors having approved property management systems, including the name of the contracting office and the date of each such approval. Each CO must then decide whether or not a particular approval is sufficiently recent to be valid in a given situation. If not, he shall verify the conformance of the contractor's property management system with the "Government Property Management Manual" Appendix A, and issue a new approval. In the event that the contractor does not have an approved system, the CO shall direct the contractor to take whatever steps are required to acquire an adequate system. ☐

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**d. Identifying Property That Is Agency GFP:**

Concerning the identification of Government property as described in Part 4, Appendix B, DAR, the CO shall ensure that Agency property covered by Part 4 is marked but marked in such a way that it is not readily identifiable with the Agency

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marking methods which may be preferred by the contractor may be used at the discretion of the CO if it is determined that they will not present a potential security compromise. ☐

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**e. Annual GFP Inventory Reports From Contractors:**

The CO shall require the contractor to submit a comprehensive inventory of Government property in his possession as of 30 September of each year as set forth in the "Government Property Management Manual," Appendix A. Such inventories shall be prepared on Department of Defense Form DD543 or 545, as applicable, and shall include all serviceable and useable inventory in the two categories below: ☐

(1) Property having an item acquisition cost of more than \$300 to include any of the following regardless of value; special tooling, special test equipment, safes, facilities, and all classified items (regardless of condition). ☐

(2) Property having an item acquisition cost of less than \$300, excluding special tooling, special test equipment, safes, facilities, and all classified items. ☐

Material which forms a part of work-in-process on an active contract, and which will be incorporated in a deliverable item need not be listed. Separate listings shall be provided for each contract that contains Government property. ☐

**f. Reviewing and Validating Contractors' Inventory Reports:**

The CO shall review the contractor's inventory submission for accuracy, document any discrepancies, and take corrective action as appropriate. In ascertaining the accuracy of the inventory, the CO shall as a minimum perform the following checks: ☐

(1) Confirm that the contractor has an approved property system as required by paragraphs 3b, c, and d above, and ☐

(2) Check and validate the inventory against the CO's contract records of Government furnished property. ☐

**g. Submitting the Annual Consolidated Listing of All Agency GFP to OF:**

The CO shall submit to OL/PMS, not later than 1 November of each year, the number of items of Government property and the total dollar value thereof in the possession of each contractor. OL/PMS shall consolidate the reports from the CO's and submit a summary report to the Director of Finance on or before 10 November. As indicated in Section 311, Appendix B, DAR, contractor inventories on which these reports will be based are to be current as of 30 September of each year and shall be submitted to the CO no later than 21 October of each year. ☐

**4. PRE-DISPOSITION PROCEDURES****a. GFP Inventory Report Required upon Completion Termination of Contracts:**

Upon receipt of a final inspection report from the cognizant COTR, or upon issuance of a Notice of Termination, the CO shall direct the contractor to submit an inventory of Government property residual to that contract as set forth in the "Government Property Management Manual," Appendix A. The contractor's completion/termination inventory shall be structured in the same manner as the annual inventory submissions discussed in paragraph 3e above and shall be submitted on Form DD542, 543, or 545 as appropriate. A sample request to a contractor for a completion/termination inventory is provided on page B-3 of Appendix B. ☐

**b. Validating Final GFP Inventory Report:**

The CO shall review the contractor's inventory submission for accuracy, document any discrepancies, and take corrective action as appropriate. In ascertain-

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ing the accuracy of the inventory, the CO shall as a minimum ensure that all Government property listed in the contract is included in the inventory, except for that property which will be incorporated in a deliverable item under the contract. At this time, the CO shall also establish for record purposes a Property Disposition Record (PDR) as shown on page B-4. All subsequent disposition actions taken by the CO shall be shown on this record. ☐

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**c. Verification of Final Inventory Report by the COTR and His Recommendations for Disposition of Items:**

Following the review of the contractor's final inventory submission, the CO shall forward the inventory to the responsible COTR for his review and suggested recommendations for disposition of the contractor's completion/termination inventory. The COTR will confirm that the list is all inclusive taking into consideration all property delivered personally by Government representatives or acquired from other Government sources. Disposition recommendations may include suggestions to either abandon the property, sell or donate it to the contractor, return it to Headquarters, transfer it to another contract with the same contractor, or transfer it to another contract with a different contractor. Additional instructions are shown on page B-5. In the event of a negative inventory submission, the sample letter on page B-6 may be used. ☐

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## 5. DISPOSITION PROCEDURES

Initially, upon review of the COTR's recommendation, the CO shall determine what disposal procedures may be authorized immediately without subsequent Supply Division, OL (OL/SD), review and instruction. Such procedures are described in paragraph a. immediately below. Disposal actions requiring OL/SD review and instruction are described in paragraph b. below. ☐

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**a. Residual Government Property Disposition Without OL/SD Review and Instruction:**

**(1) Disposal of Minor Inventory Items**

(a) Upon recommendation by the COTR, resulting from his review of the inventory submission, that certain category 2 items (paragraph 3.e.(2)) are not required by the technical office and are not significant enough to warrant the expense of returning such property to Headquarters for screening or transferring to another contractor, the CO may elect to enter into negotiations with the contractor for the sale, donation, abandonment or destruction of this property to the extent permitted by law or regulation on whatever terms he judges to be most advantageous to the Government. ☐

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(b) This latitude in the discretionary authority of the CO to dispose of minor inventory items is not to be interpreted as a derogation of the CO's ultimate responsibility to request disposition instructions from OL/SD when it is deemed to be in the best interest of the Government. ☐

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**(2) Direct Transfer of Residual Government Property from One Contractor to Another**

Upon determination by the CO that all or part of the residual property can be transferred directly to another contract, shipment can be effected in a manner deemed appropriate by the CO. (Note: See paragraph 6 below regarding funding for all shipping costs.) ☐

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(3) *Movement of Residual Government Property Utilizing an* 

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Upon determination to either return property to Headquarters through an  before shipment to another contractor, the following steps should be observed:

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(a) The COTR initiates (with the support of the component logistics officer) a Form 88, Requisition for Materiel and/or Services, following the format as shown on page B-7.

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(b) The component logistics officer forwards to the Supply Management Branch, SD (SD/SMB), the Inventory Schedule, the COTR's recommendation, and the completed Form 88.

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(c) SD/SMB will process the Form 88 assigning a Termination of Contract (TC) number and distributing copies to the depot concerned, as well as a return copy to the CO.

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(d) Using the TC number as furnished by SD/SMB, the CO sends the sample letter as shown on page B-8 to the contractor directing him to effect shipment of the Government property. Any security or cover constraints which would affect the method of shipment, packing documentation, container markings, etc. should be specifically indicated to the contractor. (See paragraph 6 below regarding funding for all shipping costs.)

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**b. Residual Government Property Disposition Requiring OL/SD Review and Instruction:**

When a determination has been made by the CO based on recommendations from the COTR that the residual property is not required for use on any other ongoing contract and the items are not suitable for in-house use by the technical office concerned (excess to its needs), the following steps shall be followed:

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(1) The CO shall forward the listing of excess residual Government property to SD/SMB requesting disposition instructions. Any disposition recommendations from the responsible COTR or the CO should also be included.

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(2) SD/SMB shall screen the listing to determine if any of the items may be used by other components within the Agency. At the discretion of SD/SMB, potentially interested components will be canvassed as to their requirements for such property. SD/SMB will also review the list to ascertain if specific unclaimed items are suitable for turn-in to OL stock for future issue.

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(3) Upon completion of the review and screening process, SD/SMB will issue disposition instructions for all property.

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(a) Property to be returned to Headquarters for subsequent use (by other components or for stock) or for disposal will be processed according to the procedures detailed in paragraph 5a(3) above.

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(b) All property in which the Agency has no further use or interest and has been recommended for on-site disposal by SD can then be entered into negotiation with the contractor for the sale, donation, abandonment or destruction of those items to the extent permitted by law or regulation.

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(Sample letters suitable to a variety of disposal actions are provided on pages B-9 - B-12.) In cases of destruction or abandonment, a statement of compliance by the contractor is required.

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## 6. COMMITTING FUNDS TO COVER TRANSPORTATION, PACKING AND HANDLING CHARGES

Transportation, packing and handling charges (TP&H) incurred in the moving of residual Government property may be funded using two methods. The first method is to charge the Agency's Single Transportation Allotment (STA), thereby avoiding further costs to the contract. The second method is to levy the charge against the contract itself. In those instances where Government property is furnished or acquired using the funds of another Government agency, TP&H costs cannot be charged to the STA, but rather must be charged against the contract.

- a. Funding for Movement of Property to an  or to Transit an  for Onward Shipment:

The separate billing for TP&H charges as requested in the last paragraph of the letter on page B-8 should, upon receipt, be approved by the CO, referenced with the appropriate TC number, and:

- (1) Charged against the contract if this method was chosen; or

- (2) Forwarded via Freight Traffic Branch,  to the Certification Branch, Audit and Certification Division, OF, for payment if the STA method was chosen.

- b. Funding for Direct Transfer of Property from One Contractor to Another:

TP&H charges incurred for direct transfer of Government property shall be processed following the same procedures as detailed in 6a above, with one exception. Charges to be funded under the contract do not require the use of a TC number from SD/SMB.

## 7. TEMPORARY STORAGE OF RESIDUAL GOVERNMENT FURNISHED PROPERTY (GFP)

In cases where the COTR has a justifiable requirement to retain control of Government property which is residual to a completed/terminated contract, the Government property may be returned  for temporary holding in lot storage. Such storage will be for a period not normally to exceed 6 months. If it is decided to place property in lot storage  the CO shall provide SD/SMB via the Materiel Facilities Branch,  (MFB) with a copy of the residual inventory, a Form 88 completed as shown on page B-14 and a request to place the property in lot storage.  MFB shall assign a lot storage number and indicate it on the Form 88 and SD/SMB shall assign a TC number. SD/SMB shall then forward a copy of the Form 88 with the TC number, lot storage number, and Government contract number to the CO who will then use the letter shown on page B-8 to direct the contractor to effect shipment of the Government property. Withdrawal of Government property from lot storage for use on a contract shall be accomplished in a similar manner by forwarding to the  a Form 88 prepared as shown on page B-14. TP&H costs for the movement of Government property to or from lot storage shall be charged as provided for in paragraph 6.

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## 8. ACQUIRING PROPERTY FOR USE BY CONTRACTORS

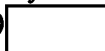
### a. Issue from Agency Stock or Procurement Action:

Property furnished to contractors as GFP is acquired by submission of a Form 88 citing Property Requisitioning Authority. Loans of property from Agency stocks may be approved by the Chief, SD, only under unusual extenuating circumstances.



### b. Short-Term Loans from Type II Accounts:

Instances may occur where the COTR recommends to the CO that certain property (e.g., test or calibration equipment) presently carried under a Type II Accountability System be loaned to the contractor on a short-term basis (less than 90 days). Short-term loans of property from Type II accounts may be made to contractors through the CO at the discretion of the accountable officer. SD approval is not required. Appropriate documentation indicating that this is a short-term loan from a Type II account and a description of the equipment to be loaned shall be entered in the contract file. Upon submission of the yearly Government property inventory from the contractor (see paragraph 3e), the CO shall insure that equipment provided on a short-term loan basis is not included as this type property still remains on the Type II account. When property is to be provided to a contractor from a Type II account for longer than 90 days, formal action shall be taken to transfer this property from the Type II account to the contract as Government Furnished Property. (In this case, the property may be reissued to the Type II account at no cost when returned from the contractor.)



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(For Issuance to Contractors)

## Government Property Management Manual 1979

### 1. Purpose

The purpose of this Manual is to establish uniform procedures for use by contractors in managing Government property while performing work for this Sponsor.

### 2. Policy

Those portions of the Defense Acquisition Regulation (DAR) which pertain to the administration of Government property, and in particular Appendix B, "Government Property in Possession of Contractors," shall be followed by the contractor except as specifically authorized by the Contracting Officer or as amended or extended herein.

### 3. Definitions

a. **Property** includes all property both real and personal. For purposes of this discussion it includes material, special tooling, special test equipment, safes and facilities.

b. **Government Property** means all property owned by or leased to the Government or acquired by the Government under the terms of a contract. Government property includes both Government-furnished property and contractor-acquired property.

c. **Government Furnished Property** means property in the possession of or acquired directly by the sponsor and subsequently delivered or otherwise made available to the contractor.

d. **Contractor Acquired Property** means property procured or otherwise provided by the contractor for the performance of a contract, title to which is vested in the Government.

e. **Material** means property which may be incorporated into or attached to an end item to be delivered under a contract or which may be consumed or expended in the performance of a contract. It includes but is not limited to raw and processed material, parts, components, assemblies, and small tools and supplies which may be consumed in normal use in the performance of a contract.

f. **Contracting Officer's Technical Representative (COTR)** means an individual knowledgeable in the technical aspects of a project, who is authorized to contact the contractor directly regarding technical matters. Any changes in the contract made necessary by an action of the COTR, including technical specifications, must be made by the Contracting Officer.

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#### **4. Control of Government Property**

a. The contractor shall furnish the Contracting Officer, as of 30 September of each year, an inventory of Government property in his possession and in the possession of his subcontractors for each of the sponsors' contracts. As per Section 311, Appendix B, DAR, this inventory shall be furnished not later than 21 October of each year. It shall be prepared on Department of Defense Form DD543, as applicable, and shall include all serviceable and useable inventory in the categories as listed.

(1) Property having an item acquisition cost of more than \$300 to include special tooling, special test equipment, safes, facilities and all classified items (regardless of condition or value).

(2) Property having an item acquisition cost of less than \$300 excluding special tooling, special test equipment, safes, facilities, and all classified items.

Material which forms a part of work-in-process on an active contract and which will be incorporated into a deliverable item need not be listed.

b. Within 30 days subsequent to the completion or termination of the sponsor's contract, the contractor shall furnish the Contracting Officer an inventory of Government property in his possession and in the possession of his subcontractors which is accountable under the subject contract. The completion/termination inventory shall be structured in the same manner as the annual inventory discussed above and shall be submitted on Form DD542, 543, 544, or 545 as appropriate. In submitting inventories, the contractor is requested to submit, by accompanying letter, his advice and recommendations as to proper disposition and make offers to purchase inventory items, particularly any or all minor inventory items. An original and two copies of each inventory schedule shall be submitted. In the event the contractor has a requirement to retain all or any part of the inventory for use on a follow-on contract of the sponsor, a justification for such retention shall accompany the inventory submission.

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CONFIDENTIAL  
(when filled in)

TO : Contractor

SUBJECT: Management of Government Property  
Contract No.  
Task Order No.

Gentlemen:

Pursuant to the Government property clause of the subject Contract, you are required to establish and maintain a system to control, protect, preserve, and maintain all Government property however provided. To assist you in carrying out your responsibility, the attached "Government Property Management Manual" sets forth specific requirements of the Sponsor.

It is possible that you already possess Sponsor's approval of your property management system. If so, please advise. If you do not possess such approval, please provide: (1) the undersigned a copy of your property manual or (2) in lieu thereof, approval(s) you may have received from another Government agency. In either case, please indicate any areas of difference from the Sponsor's requirements.

If your system is not in accord with the Sponsor's manual, please indicate how you intend to conform with the Sponsor's requirements.

Very truly yours,

Administrative Contracting Officer

Att: "Government Property Management Manual"

Distribution:

Orig - Addressee

1 - Contract File

B - 1

CONFIDENTIAL

(when filled in)

CONFIDENTIAL  
(when filled in)

TO : Contractor

SUBJECT: Contract No.  
Task Order No.  
Government Property Management

Gentlemen:

The Sponsor has reviewed your Government property management system and has determined that it complies with the Sponsor's requirements for the management of Government property.

You are therefore authorized to employ your system under the Sponsor's contracts. Please keep the Sponsor advised of any changes in your system.

Very truly yours,

Administrative Contracting Officer

Distribution:

Orig - Addressee  
1 - Contract File  
1 - OL/PMS  
1 - OF/CSAD

B-2

CONFIDENTIAL  
(when filled in)

CONFIDENTIAL  
(when filled in)

TO : Contractor

SUBJECT: Contract No.  
Task Order No.  
Government Property

Gentlemen:

You are hereby requested to furnish within thirty (30) days a completion/termination inventory of Government property including Government property in the possession of subcontractors which remains accountable under this contract. In the event you do not possess such property, please advise the undersigned of that fact in writing.

Please submit your inventory on DD Form 542, 543, 544, or 545, as applicable. It is essential that the inventory schedules be accurately completed and that the items listed be adequately described for ready identification.

Please organize your inventory in the following categories:

1. Property with an acquisition cost of more than \$300 including special tooling, special test equipment, safes, facilities, and classified items (regardless of value or condition).
2. Property with an acquisition cost of \$300 or less excluding special tooling, special test equipment, safes, facilities, and classified items.

An original and two copies of each inventory schedule are to be forwarded to the Contracting Officer. In the event the contractor desires to retain all or any part of the inventory for use on a follow-on contract of the Sponsor, a justification for such retention shall accompany the inventory submission. In submitting inventories, the contractor is also requested to submit by accompanying letter his advice and recommendations as to proper disposition and make offers to purchase inventory items.

Very truly yours,

Administrative Contracting Officer

Distribution:

Orig - Addressee  
1 - Contract file

B-3  
CONFIDENTIAL  
(when filled in)

CONFIDENTIAL  
(when filled in)

PROPERTY DISPOSITION RECORD

Contractor\_\_\_\_\_ Contract No.\_\_\_\_\_ Task Order \_\_\_\_\_  
Technical Office \_\_\_\_\_ Contracting Officer's Technical Repre-  
sentative\_\_\_\_\_ Ext.\_\_\_\_\_  
Property Statement Requested\_\_\_\_\_ Followup\_\_\_\_\_  
Property Statement Received\_\_\_\_\_  
Negative\_\_\_\_\_ Category #1 Items\_\_\_\_\_ Category #2 Items\_\_\_\_\_  
Contracting Officer's Technical Rep. Notified\_\_\_\_\_  
Contracting Officer's Technical Rep. Response\_\_\_\_\_  
Contract File Reviewed\_\_\_\_\_  
Remarks: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Disposition:	<u>Category #1</u> <u>Inventory</u>	<u>Category #2</u> <u>Inventory</u>
1. Transfer to (Cont/TO)		
2. Return to Agency	(TC#                      )	(TC#                      )
3. Obtain Bids		
4. Check for Sale Rec'd	(\$                      )	(\$                      )
5. Donate		
6. Abandon		
7. Destroy		
8. Disposition Complete	(Date                      )	(Date                      )
Remarks: _____		
_____		
_____		

\_\_\_\_\_  
ACO SIGNATURE

B-4  
CONFIDENTIAL

CONFIDENTIAL  
(when filled in)

DATE \_\_\_\_\_

MEMORANDUM FOR: DIVISION

ATTENTION : CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE

FROM :

SUBJECT : Property Verification/Disposition Request

1. Attached is a final inventory list of the residual Government property accountable under CONTRACTOR AND CONTRACT NUMBER.

2. To the best of your knowledge is this list all-inclusive taking into consideration property delivered personally by Government representatives or delivered from some other sources?

Indicate YES\_\_\_\_\_ NO\_\_\_\_\_. If no, please explain in the space provided on page 2.

ADD PARAGRAPH IF SPECIAL INSTRUCTIONS NEEDED, NUMBER FOLLOWING PARAGRAPHS ACCORDINGLY.

3. or 4. Indicate in the space provided on page 2 which of the following methods of disposition you recommend for each of the items:

a. SELL or ABANDON

NOTE: For those items having acquisition costs over \$300 and other significant items, indicate in parentheses next to the item your best estimate of current fair market value.

b. RETURN

NOTE: Initiate a requisition (Form 88) for the return shipment. Forward the requisition along with this completed memo to the Contracting Officer for processing, including justification for this action.

c. TRANSFER TO ANOTHER CONTRACT—SAME CONTRACTOR

NOTE: Provide the contract number to which the property is to be transferred.

B-5

CONFIDENTIAL  
(when filled in)

d. TRANSFER TO ANOTHER CONTRACT—DIFFERENT CONTRACTOR

NOTE: Initiate a requisition (Form 88) for the transshipment indicating gaining contractor and contract number. Forward the requisition along with this memo to the Contracting Officer for processing, including justification for this action.

4. or 5. If for any reason you cannot complete and return this Verification/Disposition Request within thirty (30) days from receipt, please notify the undersigned.

5. or 6. If you have any questions or need additional information, please do not hesitate to call the undersigned. If you specified "Return" or "Transfer to Another Contractor," furnish specific information including any security or cover considerations.

Administrative Contracting Officer

Technical Office Disposition Instruction/Remarks. (Please sign and date your reply):

TO : Technical Office  
ATTENTION: Responsible Technical Officer  
FROM : Contracting Team  
SUBJECT : Negative Inventory Verification Request

1. The attached negative property statement was submitted by \_\_\_\_\_ Contractor \_\_\_\_\_ on Contract No. \_\_\_\_\_, Task Order No. \_\_\_\_\_.

2. If for any reason you do not concur, please advise the undersigned by \_\_\_\_\_ 30 days from date of letter \_\_\_\_\_; otherwise, it will be assumed that the property statement is correct.

Administrative Contracting Officer

Att

☐ UNCLASSIFIED

FORM 88 USE PREVIOUS EDITIONS ☐ SECRET (When filled in) ☒ CONFIDENTIAL (When filled in) ☐ UNCLASSIFIED (38)

CONFIDENTIAL  
(when filled in)



TO : Contractor  
SUBJECT : Contract No  
Task Order No.

REFERENCE: Your letter dated

Gentlemen:

Thank you for submitting a completion/termination inventory for the subject contract.

You are requested to ship the inventory within sixty (60) days, prepaid, in keeping with established commercial practices insuring a safe delivery to:

STAT

or

Name & Address of Contractor  
Contract & Task Order Numbers  
Attention Name  
(TC\_\_\_\_\_)

Upon receipt of the above items, you will be relieved of accountability therefor under the subject Contract/Task Order.

For purposes of reimbursement, please submit your claim for transportation, packing, and handling costs attaching copies of bills of lading, receipts, and similar supporting documentation. This separate billing should be forwarded to the undersigned and should cite the appropriate contract number and the TC number(s) from the above shipping address. Should multiple TC numbers be assigned a cross reference to the inventory should be made.\*\*

Very truly yours,

Administrative Contracting Officer

CONFIDENTIAL  
(when filled in)

\* When a contract is overtly associated with the Agency,  
the following address should be used:

Property & Supply Officer

STAT

\*\* When residual Government property is to be returned to  
Headquarters for temporary storage, the lot storage  
number should be included in the address.

\*\*\* Any security or cover constraints which would affect the  
method of shipment, packing documentation, container  
markings, etc., should be specifically indicated to the  
contractor. Particular caution should be used in  
transferring property to other contractors under

ST

Distribution:

Orig - Addressee  
1 - Contract File  
1 - OF/C&L/CB  
1 - COTR

B-8a  
CONFIDENTIAL  
(when filled in)

CONFIDENTIAL  
(when filled in)

MEMORANDUM FOR:

FROM : Contracting Team  
SUBJECT : Government Property

1. Attached is a listing of excess Government property.
2. Please determine if any of the listed items are desired by the Technical Offices within your cognizance. For those items desired by Technical Offices, please prepare a Form 88, Requisition for Materiel and/or Services, as shown on page B-7 of the Manual for the Administration of Government Property in the Possession of Agency Contractors and forward the Form 88 to the undersigned. Action will then be taken to effect the shipment of this excess property to the requesting Technical Office or to some other location if so designated by the Technical Office.
3. Please respond within 30 days from date of this transmittal; otherwise, it will be assumed that there is no interest in the listed items.

Administrative Contracting Officer

Att

B-9  
CONFIDENTIAL  
(when filled in)

CONFIDENTIAL  
(when filled in)

TO : Contractor

SUBJECT : Contract No.

Task Order No.

REFERENCE: Your letter dated \_\_\_\_\_

Gentlemen:

Your offer of \_\_\_\_\_ to purchase the completion/termination inventory for this contract is accepted. Please make your check payable to the Treasurer of the United States.\*

Upon receipt of your check, you will be relieved of accountability for the Government property in question under this contract.

Very truly yours,

Administrative Contracting Officer

\* When payments are due the contractor under the applicable contract, and unless otherwise provided in the contract, the proceeds of any sale, purchase, or retention shall be credited to the Government as part of the settlement agreement, or otherwise credited to the price or cost of the work covered by the contract, or applied in the manner directed by the Contracting Officer.

Distribution:

Orig - Addressee

1 - Contract File

B-10

CONFIDENTIAL  
(when filled in)

CONFIDENTIAL  
(when filled in)

TO : OF/C&L/CB  
FROM : Contracting Team  
SUBJECT: Payment for Excess Government Property

The attached Check No. \_\_\_\_\_ for \$ \_\_\_\_\_  
has been received from \_\_\_\_\_ Contractor \_\_\_\_\_ as payment for  
the purchase of excess Government property under Contract  
No. \_\_\_\_\_, Task Order No. \_\_\_\_\_.

Administrative Contracting Officer

Distribution:  
Orig - Addressee  
1 - Contract File

B - 11  
CONFIDENTIAL  
(when filled in)

TO : Contractor

SUBJECT : Contract No.

Task Order No.

REFERENCE: Your letter dated \_\_\_\_\_

Gentlemen:

Thank you for submitting a completion/termination inventory of Government property for the subject Contract No. \_\_\_\_\_, Task Order No. \_\_\_\_\_.

The Sponsor has determined that the property is excess to its requirements and, therefore, chooses to abandon it at no additional cost to itself.

If for any reason you do not concur, please notify the Contracting Officer at your earliest convenience.

Very truly yours,

Administrative Contracting Officer

Distribution:

Orig - Addressee

1 - Contract File

CONFIDENTIAL  
(when filled in)

TO : Contractor  
SUBJECT : Contract No.  
Task Order No.

REFERENCE: Your letter dated \_\_\_\_\_

Gentlemen:

Thank you for submitting a completion/termination inventory of Government property for the subject Contract No. \_\_\_\_\_, Task Order No. \_\_\_\_\_.

Pursuant to the Defense Acquisition Regulation 4-116.4, the Sponsor hereby donates the listed Government property to your institution. This donation shall be at no cost to the Sponsor.

By reason of the above, you are relieved of accountability for the Government property in question under this Contract/Task Order.

If for any reason you do not concur in the above, please notify the Contracting Officer at your earliest convenience.

Very truly yours,

Administrative Contracting Officer

Distribution:  
Orig - Addressee  
1 - Contract File

B-13  
CONFIDENTIAL  
(when filled in)

CONFIDENTIAL  
(when filled in)

☐ SECRET (When filled in)

☒ CONFIDENTIAL (When filled in)

☐ UNCLASSIFIED

NAME OF CONTACT OFFICER (Technical Office)		OFFICE (Technical Office)	TELEPHONE	SIGNATURE OF APPROVING OFFICER	SIGNATURE OF TECHNICAL OFFICER (Technical Office)				
REMARKS <b>RESIDUAL GOVERNMENT PROPERTY</b> 1-cy OF/C&L w/1-cy Inventory 1-cy (Tech. Office) w/o Inventory 1-cy (Contracting Team) w/o Inventory 1-cy SMB/SD/OL w/1 Inventory				BUDGET CERTIFICATION: I CERTIFY THAT PRA AND/OR FUNDS ARE AVAILABLE. CHARGE FAN INDICATED IN BLOCK ASTERISKED (*) BELOW.					
				SIGNATURE OF AUTHORIZING OFFICER		DATE			
<b>REQUISITION FOR MATERIEL AND/OR SERVICES</b>		REQ'N. DATE (Technical Office)		PROCUREMENT INSTRUMENT NO.					
MATERIEL PROC. ALLOT. NO.		REQUIRED DATE AT DESTINATION	DATE PROC. ITEMS REQUIRED IN DEPOT	DATE STOCK ITEMS REQUIRED IN TRANSPORTATION	TYPE II FPA				
* FINANCIAL ANALYSIS NUMBER 1/2/8-5000*					OTHER:				
CONSIGNEE For lot storage at 903, 914 (Specify) ----- OR ----- Name, and address of Contractor or Tech. Office		REFERENCE RECOMMENDED METHOD OF SHIPMENT (TRUCK, RAIL, SHIP, PLANE, OR POSTAL) (Technical Office)		RECOMMENDED CHANNEL FOR SHIPMENT (COMMERCIAL, MILITARY, OTHER)					
MARKING INSTRUCTIONS			PACKING INSTRUCTIONS						
SOURCE		POSTED		STOCK CONTROL REMARKS					
PROC.	STOCK	INITIAL	DATE	Do not process through ADP/FPA system. Accountability for non-expendable property will be acknowledged by the gaining technical office or, if property is shipped to another contractor, the gaining contractor. EST. TRANSPORTATION COSTS: \$***					
ITEM NO.	STOCK NO.	EXP.	NOMENCLATURE		SC	PRICING AND EDITING DATA			
	IF PROPERTY FOR LOT STORAGE TYPE FOLLOWING:		Materiel listed hereon (or materiel listed on attached inventory schedule) represents residual property returned from (Name of Contractor, Contract and Task Order Numbers) for temporary storage in lot storage # _____ (to be filled in by _____) OR ----- Materiel listed hereon (or materiel listed on attached inventory schedule) represents residual property form (Name of Contractor, Contract and Task Order Numbers) held in lot storage and is to be shipped to the address cited above for use under (Contract and Task Order Numbers).			QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
	IF PROPERTY FOR REISSUE FROM LOT STORAGE TYPE FOLLOWING:					QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION
						QUANTITY	UNIT	UNIT PRICE	EXTENSION
						RELEASED	ACTION	S-A-C	LOCATION

FORM 12-77 88 USE PREVIOUS EDITIONS

☐ SECRET (When filled in)

☒ CONFIDENTIAL (When filled in)

☐ UNCLASSIFIED (138)

B - 14

CONFIDENTIAL  
(when filled in)



**CONFIDENTIAL**

**CONFIDENTIAL**